

Memorandum

To: Panel Members Date: June 26, 2003

From: Diana Torres, Manager
Peter DeMauro, General Counsel Analyst: J. Davey

Subject: One-Step Agreement for **General Motors Acceptance Corporation, dba ditech.com**
(www.ditech.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Finance and Insurance
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 1,368
 - In California: 1,100
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$358,800
- Substantial Contribution: \$0
- Total ETP Funding: \$358,800
- In-Kind Contribution: \$1,779,057
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Myers Organizational Development and Consulting, Ventura, California (10% of the funds earned for project administration)

THIRD PARTY SERVICES:

Myers Organizational Development assisted with the Application, and helped prepare the Training Plan, Curriculum, Retraining Certification, and other Agreement requirements. The amount reimbursed for these services is a fee of \$5,000.

ACTIVE PROJECTS:

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET01-0324	6/4/01 – 6/3/03	\$970,000	850	1,376	119	119

Company states that, due to the historic low interest rate over the last year, ditech.com expanded rapidly. The company risked losing business by releasing trainees for training. Ditech will reduce the number of trainees to be trained and reduce the number of hours of training to ensure a more successful outcome in this proposal. The company expects to eventually earn approximately \$350,000 (40%) and retain 607 (71%) trainees.

NARRATIVE:

Founded in 1995 by Paul Reddam, ditech.com has grown rapidly and considers itself one of the country's largest direct mortgage lenders. Company representatives state that from the outset, the company has been driven by a desire to create a loan process that was direct, efficient, and customer-centered that offers competitive rates. Each year the business has shown significant growth: from \$302 million in loans in 1995 to \$18.3 billion in 2003. In the spring of 1999, ditech.com was purchased by General Motors Acceptance Corporation (GMAC) Mortgage Corporation and is now an indirect, wholly owned subsidiary of GMAC. Ditech.com has three additional locations on the East Coast in Pennsylvania and New Jersey; however, the majority of its business is generated from a single office in Costa Mesa employing 1,100 full-time workers.

Title 22 California Code of Regulations, Section 4416 (d) (2) states, in part, that out-of-state competition exists if the individual function and/or unit of a company for which training funds are sought meets the following conditions: a mortgage bank or related institution engaged in the packaging/sales and/or servicing activities related to loans. The institution within California must conduct these loan activities and only those jobs directly involved with the mortgage banking function will be considered for training. Therefore, ditech.com, located in Costa Mesa, meets this criteria as a full service direct mortgage lender, selling mortgages by phone and via the Internet and providing loan origination, packaging, and processing throughout the United States.

NARRATIVE: (continued)

Ditech.com competes in a highly competitive marketplace with thousands of mortgage lenders outside of California. These companies as well as local credit unions and banks provide direct residential mortgage loans and loan products at competitive prices due to lower cost of funds and in many cases, lower labor costs. Therefore, ditech.com must continue to improve quality, reduce overhead, streamline loan-processing functions through technology and constantly train and retrain its employees in a dynamic mortgage-banking environment.

During the first Agreement, ditech.com conducted extensive assessments to evaluate individual skill requirements and determined that frontline workers, as well as management staff, needed training in three key areas: Continuous Improvement, Commercial Skills, and Management Skills. The training was developed as basic training, which provided trainees with the core theoretical principles in the aforementioned areas. Although the implementation in these key areas was successful, the rapid expansion of ditech.com, due to the low interest rate, created operational challenges. Consequently, it was unable to provide the training plan to the number of retrainees initially proposed. Given the ETP maximum 21-month training period, ditech.com was unable to train all the employees who required training.

In order to utilize the new computer systems and optimize the training received during the first Agreement, ditech.com is requesting ETP funds for a second Agreement. Trainees will be provided with the practical application skills for the theories learned in the first Agreement. In addition, training topics from the first Agreement will be provided to those who were unable to participate in the training program because of the aforementioned operational needs.

The next level of training is comprised of Continuous Improvement Skills that includes goal setting, team building, problem solving, listening skills, and phone skills to improve team performance, solve problems, and improve quality and efficiency. Commercial Skills training includes communication skills, customer service, and sales skills. Trainees must be able to deal effectively with customers, manage and resolve complaints, keep discussions focused, and effectively resolve problems.

Ditech.com reports that managers and supervisors need to have outstanding management abilities to improve subordinate performance. Therefore, training will be given in Leadership, Decision Making, Change Management, and Assessing Performance. With these new skills, it will be possible to work effectively with individual employees and project teams.

Ditech.com has three objectives with this ETP Project: complete the training for employees who did not get all the training assigned; take the employees who have completed their necessary training and bring them to the next level; and, enhance and refine current training as it is adding to staff and backfilling turnover.

Supplemental Nature of Training

The training requested in this proposal will supplement its expected expenditure of two million dollars over the next two years for training. The training outlined in this application will enable ditech.com to build on existing training practices at a rate much faster than would be possible without ETP assistance. Ditech.com certifies the training in this program would not occur in the form and manner described in the application without further ETP assistance. ETP will make possible the advanced training that ditech.com needs to remain competitive in the marketplace, ensure the retention of high wage paying jobs, and provide for long term employment security.

NARRATIVE: (continued)

Supplemental Nature of Training (continued)

Up to now, training at ditech.com has been done on a very limited "as needed" or "elected" basis only for a small portion of the employee population. The company provides a new employee orientation and other on-the-job instruction to give employees the skills to meet basic job requirements. Recent training consists of on-site safety classes and a few computer and management classes. There are no mandatory, ongoing programs available for new or long-term employees to learn current or updated skills.

Over the last two years, ditech.com has invested approximately \$2 million in training veteran agents and processors in the new loan origination software called Eclipse. Ditech.com is also in the process of building a Computer Based Training library for future training needs.

In-Kind Contribution

An estimated loss of profits to the company due to employees being away from the job during training is estimated at over one million dollars during the 21 months of proposed training. Additionally, ditech.com is paying wages and benefits while employees are in training at an estimated cost of over \$779,057. The total in-kind contribution is \$1,779,057.

COMMENTS:

Of the 600 trainees, 565 meet the Panel definition of frontline worker under Title 22, California Code of Regulations, Section 4400(ee). The remaining 35 managers constitute 6 percent of the total trainee population.

Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve the One-Step Agreement if funding is available and the project meets the Panel priorities. This recommendation is based on ditech.com's stated need to transition to a high performance workplace environment to remain competitive, to grow, and to ensure a continuing relationship with its customers.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1/Retrainee	Menu: Commercial Skills, Computer Skills, Continuous Improvement Skills, Management Skills	600	40 – 60	0	0	\$598	\$11.74 - \$60.70
						<u>Range of Hourly Wages</u> \$11.74 - \$41.83	
						<u>Prevalent Hourly Wage</u> \$32.53	
						<u>Average Cost per Trainee</u> \$598	
<u>Health Benefit used to meet ETP minimum wage:</u> Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.					<u>Turnover Rate</u> 5%	<u>% of Mgrs & Supervisors to be trained:</u> 6%	

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MENU CURRICULUM

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1	
40 – 60	<p>Continuous Improvement Skills</p> <ul style="list-style-type: none">• Phone Etiquette• Listening Skills• Goal Setting (documenting objectives and tasks)• Team Building• Problem Solving (when task saturated) <p>Commercial Skills</p> <p>Business Performance (mortgage software)</p> <ul style="list-style-type: none">• Desktop Underwriter• Loan Origination System (Eclipse)• Processing System• Business Objects• Vendor Management Systems <p>Communication Skills</p> <ul style="list-style-type: none">• Negotiating• Listening• Conflict Management• Workplace Diversity• Interpersonal Skills <p>Customer Skills</p> <ul style="list-style-type: none">• Customer Relations• Identifying Customer Needs• Handling Customer Requests• Resolving Customer Complaints• Dealing with Difficult Interactions <ul style="list-style-type: none">• Department Overview• Mortgage Overview• Sales:<ul style="list-style-type: none">Customer NeedsCustomer ComplaintsProduct Knowledge

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MENU CURRICULUM (continued)

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1	Management Skills
40 – 60	<ul style="list-style-type: none">• Leadership• Decision Making• Change Management• Assessing Performance